

DOCKET SECTION

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

RECEIVED

JAN 26 3 50 PM '98

POSTAL RATE AND FEE DIVISION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997


DOCKET NO. R97-1

**RESPONSES OF MAGAZINE PUBLISHERS OF AMERICA WITNESS
COHEN TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
(USPS/MPA-T2-1-14)**

(January 26, 1998)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached responses to interrogatories propounded by USPS to witness Cohen. (USPS/MPA-T2-1-14)

Respectfully submitted,



James R. Oregan
Counsel
Magazine Publishers of America
Suite 610
1211 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 296-7277

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-1. Please refer to MPA-T-2 at pages 13-14. Please explain in detail why it is "counterintuitive" for the costs of handling empty items to be a significant fraction of the cost of handling non-empty items.

Response:

I find it difficult to provide a precise answer to this question as I am not sure exactly what is meant by "significant fraction". Obviously, I am not suggesting that there should be no costs for handling empty items. However, as I stated in my testimony, I find it counterintuitive that for some item types the costs of handling empty items are almost as high, and in some cases as high, as the costs of handling these items when they contain mail. There are several reasons for my conclusion. First, and foremost, items containing mail will undergo a variety of mail processing distribution operations, including loading, unloading and sortation, with each item handled individually as it makes its way from origin to destination. The item may go through multiple facilities and multiple handlings and sortations. Conversely, empty items do not need sortation; they only have to be moved. Nor do empty items need to be handled individually. For example, a mailhandler can handle a stack of pallets or a bundle of sacks as one unit. Also, an empty item will not need to travel as far through the postal system as an item containing mail. An empty item can probably be reused as soon as it is emptied rather than being returned to the facility where the full item originated. Second, given the long-standing understanding that weight has an impact on mail processing costs, it should always take longer and cost more to process items with mail in them than items without mail in them.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-2. Please refer to MPA-T-2 at page 23. You state that IOCS data collectors "manage to count only about 38 percent of eligible item costs."

(a) Please confirm that the 38 percent figure you provide is derived from the same data as presented in witness Stralberg's Table 4-1, Exhibit 4, TW-T-1. If you do not confirm, please explain.

(b) Please confirm that the 38 percent figure you provide is derived in the same way as the identical figure in TW-T-1, page 15, line 20. If you do not confirm, please provide a detailed derivation of the figure in electronic spreadsheet format.

Response:

(a) and (b). The 38 percent figure on page 23 of my testimony is the same figure referred to by witness Stralberg on page 15 of TW-T-1. However, using the data in the preceding sentence on page 23 of my testimony yields 40 percent as the percentage of eligible item costs counted. The difference between these two estimates is based on using tally costs versus volume variable costs and using slightly different source data. Witness Stralberg used data provided by witness Degen in LR-H-296. My estimate is based upon data provided by witness Degen in LR-H-277 and LR-H-304. The cost data provided by witness Degen in LR-H-277 and LR-H-304 are slightly different than those provided in LR-H-296. A detailed derivation of the 40% figure will be filed as MPA-LR-3, spreadsheet usps2b.xls.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-3. Please refer to your Table 4 (MPA-T-2 at page 24), and TW-T-1, at page 13.

(a) Do you agree with witness Stralberg that Regular Rate Periodicals account for 3.86% of all direct volume variable costs in MODS offices? If not, please explain.

(b) Please confirm that, according to your Table 4, Periodicals are approximately 18 times more common in brown sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) I am not sure exactly how witness Stralberg derived his 3.86 percent figure on page 13 of TW-T-1. However, I am able to come close to his estimate. If I exclude counted item costs, I calculate that regular rate Periodicals costs are 3.8 percent of direct volume variable costs in MODS facilities.

(b) Not confirmed. First, please note that the costs included in my Table 4 are based on tally costs, not volume variable costs. Second, please note that part (a) deals with regular rate Periodicals while my Table 4 covers all Periodicals. Third, the question seems to ask for a conclusion with regard to brown sack mixed mail tallies. However, neither the Postal Service nor I have any data to determine how common Periodicals are in mixed mail brown sack tallies. I would note that data underlying my Table 4 suggest that Periodicals are less common in brown sack mixed mail tallies than in brown sack direct mail tallies. The results in Table 4 are actually a composite of the results for identical and counted sacks. There are differences between the percent of costs for the associated class between identical and counted tallies, with the association between class and sack type less strong for counted items than for identical items. For brown sacks in MODS offices, the percentage of costs for Periodicals is 67 percent in the counted tallies, compared with 75 percent for the identical tallies. I believe the association will be even lower for uncounted brown sacks

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

because, as I stated in my testimony, the Postal Service tends to count items with few pieces. Because Periodicals mail, due to shape and weight characteristics, is likely to be in sacks with fewer pieces, sacks containing Periodicals are more likely to be counted.

With the caveats noted above, if I assume that the proportions in Table 4 would stay the same if I had used volume variable costs, and using total direct volume variable costs for Periodicals (5% of the total) rather than just regular rate Periodicals, I calculate that the ratio of the percent of direct brown sack costs (both identical and counted) attributed to Periodicals to the percent of total direct volume variable costs attributed to Periodicals is 14.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-4. Please refer to your Table 4 (MPA-T-2 at page 24), and spreadsheet TW-19.xls, USPS-LR-H-260.

(a) Please confirm that Express Mail tallies account for 0.5% of direct volume variable costs in TW-19.xls. If you do not confirm, please provide the figure you believe to be correct.

(b) Please confirm that, according to your Table 4, Express Mail is approximately 152 times more common in blue and orange sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) Confirmed, if costs for activity codes 53xx - 54xx are excluded.

(b) Not confirmed. The question asks how common Express Mail is in blue and orange sack tallies. Some of the blue and orange sack tallies will be direct tallies, which include identical tallies and counted sack tallies, and some will be mixed-mail tallies. Neither the Postal Service nor I have any data on how common Express Mail is in mixed-mail blue and orange sack tallies. I can confirm only that the ratio of the percent of direct blue and orange sack costs attributed to Express Mail to the percent of total direct volume variable costs attributed to Express Mail is 152.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-5. Please refer to your Table 4 (MPA-T-2 at page 24), and spreadsheet TW-19.xls, USPS-LR-H-260.

(a) Please confirm that Priority Mail tallies account for 3.2% of direct volume variable costs in TW-19.xls. If you do not confirm, please provide the figure you believe to be correct.

(b) Please confirm that, according to your Table 4, Priority Mail is approximately 27 times more common in orange and yellow sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) Confirmed, if costs for activity codes 53xx - 54xx are excluded.

(b) Not confirmed. The question asks how common Priority Mail is in orange and yellow sack tallies. Some of the orange and yellow sack tallies will be direct tallies, which include identical tallies and counted sack tallies, and some will be mixed-mail tallies. Neither the Postal Service nor I have any data on how common Priority Mail is in mixed-mail orange and yellow sack tallies. I can confirm only that the ratio of the percent of direct orange and yellow sack costs attributed to Priority Mail to the percent of total direct volume variable costs attributed to Priority Mail is 27.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-6. Please refer to your Table 4 (MPA-T-2 at page 24), and spreadsheet TW-19.xls, USPS-LR-H-260.

(a) Please confirm that Standard Mail (A) tallies account for 21.9% of direct volume variable costs in TW-19.xls. If you do not confirm, please provide the figure you believe to be correct.

(b) Please confirm that, according to your Table 4, Standard Mail (A) is approximately three times more common in white sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) Confirmed, if costs for activity codes 53xx - 54xx are excluded.

(b) Not confirmed. The question asks how common Standard A mail is in white sack tallies. Some of the white sack tallies will be direct tallies, which include identical tallies and counted sack tallies, and some will be mixed-mail tallies. Neither the Postal Service nor I have any data on how common Standard A mail is in mixed-mail white sack tallies. However, data underlying my Table 4 suggest that Standard A mail is much less common in white sack mixed mail tallies than in white sack direct mail tallies. The results I show in Table 4 are actually composites of the results for both identical and counted sacks. There are very significant differences between the percent of costs for Standard A mail in identical and counted white sack tallies, with the association between class and sack type much less strong for counted items. For white sacks in MODS offices, the percentage of costs for Standard A is only 42 percent in the counted tallies, compared with 76 percent for the identical tallies.

If I ignore the difference between identical and counted sacks, I calculate that the ratio of direct white sack costs attributed to Standard A mail to the percent of total direct volume variable costs attributed to Standard A is 3.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-7. Please refer to your Table 4 (MPA-T-2 at page 24), and spreadsheet TW-19.xls, USPS-LR-H-260.

(a) Please confirm that International tallies account for 1.7% of direct volume variable costs in TW-19.xls. If you do not confirm, please provide the figure you believe to be correct.

(b) Please confirm that, according to your Table 4, International Mail is approximately 53 times more common in international sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) Confirmed, if costs for activity codes 53xx - 54xx are excluded.

(b) Not confirmed. The question asks how common International Mail is in international sack tallies. Some of the international sack tallies will be direct tallies, which include identical tallies and counted sack tallies, and some will be mixed-mail tallies. Neither the Postal Service nor I have any data on how common International Mail is in mixed-mail international sack tallies. I can confirm only that the ratio of the percent of direct international sack costs attributed to International Mail to the percent of total direct volume variable costs attributed to International Mail is 53.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-8. Please refer to your Table 4 (MPA-T-2 at page 24), and spreadsheet TW-19.xls, USPS-LR-H-260.

(a) Please confirm that First-Class tallies account for 62.6% of direct volume variable costs in TW-19.xls. If you do not confirm, please provide the figure you believe to be correct.

(b) Please confirm that, according to your Table 4, First-Class Mail is approximately 1.17 times more common in green sack tallies than in direct tallies as a whole. If you do not confirm, please explain.

Response:

(a) Confirmed, if costs for activity codes 53xx - 54xx are excluded.

(b) Not confirmed. The question asks how common First-Class Mail is in green sack tallies. Some of the green sack tallies will be direct tallies, which include identical tallies and counted sack tallies, and some will be mixed-mail tallies. Neither the Postal Service nor I have any data on how common First-Class Mail is in mixed-mail green sack tallies. However, data underlying my Table 4 suggest that First-Class Mail is less common in green sack mixed mail tallies than in green sack direct mail tallies. The results I show in Table 4 are actually composites of the results for both identical and counted sacks. There are differences between the percent of costs for the associated class between identical and counted tallies, with the association between class and sack type less strong for counted items than for identical items. For green sacks, the percentage of costs for First-Class Mail is 75 percent in the counted tallies, compared with 90 percent for the identical tallies.

If I ignore the difference between identical and counted sacks, I calculate that the ratio of direct green sack costs attributed to First-Class Mail to the percent of total direct volume variable costs attributed to First-Class Mail is 1.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-9. Based on your answers to USPS/MPA-T2-3 to USPS/MPA-T2-8, do you still dispute witness Degen's assertion that there are "significant associations" between certain item types and shapes or subclasses of mail? Please explain fully how your response affects your testimony.

Response:

Yes. Questions 3-8 contain no new information that would change my testimony. The fact remains that there is no strict association between sack types and mail classes that would allow someone to know the contents of an item without looking inside. The data referenced in questions 3-8 pertains only to direct tallies. There are likely to be differences between the content of mixed sacks as compared to direct sacks for a number of reasons, including the fact that identical sacks are prepared by mailers rather than the Postal Service and the likelihood that items with fewer pieces are counted.

Data underlying my Table 4 demonstrate the differences in class association between different types of tallies. For most classes, the association between sack color and class is weaker for counted sacks than for identical sacks. The results for Periodicals, First-Class and Standard A mail at MODS facilities are summarized in the following table.

Color	Class	Associated Class % of Identical	Associated Class % of Counted
Brown	Periodicals	75%	67%
Green	First-Class	90%	75%
White #1	Standard A	66%	32%
White #2	Standard A	73%	41%
White #3	Standard A	81%	58%

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

With the costs associated with white sacks accounting for over 40 % of total sack costs, it is clear that, overall, class association is much less strong in counted tallies than in identical tallies.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-10. Please refer to MPA-T-2 at page 25, lines 14-17. Please confirm that both mailer prepared and Postal Service prepared items can appear as mixed item tallies. If you do not confirm, please explain fully.

Response:

Confirmed, although please note that while mailer-prepared items can appear as mixed item tallies, Postal Service- prepared items will not contain identical mail. A much higher percentage of mailer-prepared items will be direct tallies than the corresponding percentage for Postal Service- prepared items.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-11. Please refer to MPA-T-2 at page 29, lines 16-20.

(a) Please confirm that the 70 percent figure was derived by counting the number of records in spreadsheet DMA15c.xls, USPS-LR-H-305, with coefficients of variation greater than or equal to 50%, and dividing that number by the total number of records in the spreadsheet. If you do not confirm, please provide a detailed derivation of the figure.

(b) Please confirm that 1,106 records, 30.97% of the total, in spreadsheet DMA15c.xls, USPS-LR-H-305 have coefficients of variation less than 50 percent. If you do not confirm, please explain.

(c) Please refer to the "Tally Cost (\$000)" column of spreadsheet DMA15c.xls, USPS-LR-H-305. Please confirm that the observations with coefficients of variation less than 50 percent account for 94.90% of the distributing costs reported in spreadsheet DMA15c.xls. If you do not confirm, please explain. If you confirm, please explain fully how your response affects your testimony.

Response:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed, however I would note that the approximately 5 % of distributing costs with coefficients of variation greater than or equal to 50 % distribute about 25 % of distributed mixed item and identified container costs. This finding is detailed in MPA-LR-3, spreadsheet USPS11C.xls.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-12. Please refer to MPA-T-2 at page 26, and to program ALB105C5, USPS-LR-H-21. You state that it is "troubling" that witness Degen confines his mixed mail distributions within cost pools.

(a) Please confirm that the shape-related mixed mail codes (5610, 5620, 5700) are assigned based on the mail processing operation recorded in IOCS question 19. If you do not confirm, please explain.

(b) Please confirm that witness Degen's distribution cost pools (BCS, LSM, Manual Flats, etc.) are MODS-based analogues to IOCS question 19 operations. If you do not confirm, please explain.

(c) Please confirm that the assignment of the shape-related mixed mail codes in program ALB105C5 does not take into account whether the mail processing operation is a manual, mechanized, or automated operation. If you do not confirm, please explain.

(d) Is it your testimony that you should obtain more accurate mixed-mail distributions by employing mixed-mail activity codes that ignore whether the tally was taken in a manual, mechanized, or automated operation? Please explain fully.

Response:

(a) While I have not reviewed program ALB105C5, my general understanding of IOCS procedures is consistent with this statement.

(b) Not confirmed. First, Degen's cost pools for non-MODS facilities are based on basic function, not operation. Basic function is not assigned based upon question 19. Second, question 19 asks about the activity an employee is actually performing. MODS cost pools are based upon the activity into which an employee is clocked. Degen's response to DMA/USPS-T12-17 (Tr. 17/8147) indicates that employees are not always clocked into the operation that they are actually performing. For example, there are \$10 million of direct tally costs for letters and cards in FSM operations and \$3 million of direct tally costs for flats at LSMs. For more examples, please see USPS-LR-H-305, spreadsheet dma17.xls.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

(c) While I have not reviewed program ALB105C5, my general understanding of IOCS procedures is consistent with this statement.

(d) Even if there was not the clocking problem described in my response to part (b), I would not advocate using information on whether the tally was at a manual, mechanized, or automated operation to lock-in mixed mail tally distributions. Mail of a specific shape can be handled individually or mixed with other mail at manual, mechanized, or automated operations depending on particular staffing decisions or operating circumstances. These operations are interrelated. Therefore, mixed mail costs in one operation are not related solely to direct piece handlings in that operation and there is no basis to assume that direct tallies in a cost pool are representative of the contents of mixed-mail tallies in the same cost pool. Furthermore, as I showed in my testimony, excess labor appears to be assigned to manual allied operations where productivity cannot be calculated. This assignment could inflate both mixed mail costs as well as not handling costs which can have activity codes 5610, 5620, and 5700. It is not reasonable to assign high mixed mail and not handling costs that are due to excess labor to classes of mail which represent a large share of the direct tallies in allied operations.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-13. Please refer to MPA-T-2 at pages 27-28.

(a) Consider an employee who is loading mail onto the feeder mechanism of an MPBCS. If that employee is sampled in IOCS while handling an empty tray, is it reasonable to assume that the tray's contents were emptied into the MPBCS? Please explain.

(b) Consider an employee who is sweeping the output bins of an MBPCS. If the employee is sampled in IOCS while handling an empty tray, is it reasonable to assume that the tray would be filled with mail that had been sorted on the MPBCS? Please explain.

(c) Consider an employee who is working in an opening unit. If the employee is sampled in IOCS while handling an empty brown sack, is it reasonable to assume that the sack was emptied so that the bundles therein could be sorted? Please explain.

Response:

(a) No. If an employee is sampled at a MPBCS handling an empty tray, the tally record does not contain any information on what the employee was doing before he or she handled an empty tray. I do not believe that it is reasonable to make any assumption about the employee's previous activity. Furthermore, witness Degen's data show that item type may not always be a reliable indicator of the activity in a cost pool, both for empty items and items containing mail. One example of this phenomenon is that at the BCS, where only letter mail is worked, there are \$2 million of costs for tallies involving empty flat trays.

(b) No. If an employee is sampled at a MPBCS handling an empty tray, the tally record does not contain any information on what the employee will do next. I do not believe it is reasonable to make any assumption about the employee's future activity. Furthermore, as I stated in part (a), the data show that item type may not be a reliable indicator of activity in a particular cost pool.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

(c) No. If an employee is sampled in an opening unit handling an empty brown sack, the tally record does not contain any information on what the employee was doing before he or she handled an empty brown sack. I do not believe that it is reasonable to make any assumption about the employee's previous activity. I would note that for empty item costs as for all other types of tallies, there is a particular problem with making assumptions about employee activities while they are clocked into opening units. As found by the USPS Inspection Service, there are two problems with opening units. The Inspection Service noted on page 19 of their report on allied work hours (USPS-LR-H-236) that employees who must clock in to some operation in order to be paid, will frequently clock into opening units, where productivity is not measured, while waiting for another assignment. The Inspection Service further noted that when these employees move from the opening unit to another unit when productive work has become available, employees may not change the clocking operation. Because of excess labor and misclocking at opening units, it is not reasonable to assume that just because an employee is handling an empty item while clocked into an opening unit, the empty item tally is related to a productive activity at the opening unit.

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

USPS/MPA-T2-14.

(a) Please refer to MPA-T-2 at page 25, lines 23-28. Is it your testimony that loose flats found in containers are unlikely to resemble piece handlings in distribution operations? Please explain fully.

(b) Consider an identified container tally in a MODS allied labor operation (IPlatform, IOPref, IOPBulk, ICancMPP, etc.) that contains loose flats. Please confirm that witness Degen's proposed methodology does not assume that piece handlings in distribution operations represent the subclass distribution of loose flats observed in MODS allied operations. If you do not confirm, please explain. If you confirm, please explain how your answer affects your testimony.

(c) Please refer to MPA-T-2 at page 28, lines 6-8. Is it your testimony that the appropriate distribution key for loose flats in containers in an opening unit is piece tallies in flat distribution operations? If your answer is negative, please explain your testimony.

(d) Please explain the apparent contradiction between MPA-T-2 at page 25, lines 23-28, and at page 28, lines 6-8. Please explain how your answer affects your testimony.

Response:

(a) It is my testimony that there is no basis to assume that the distribution of loose flats in containers resembles the distribution of flats piece handling tallies. Loose flats in containers are likely to be from collection mail. As I stated in my testimony, putting presorted flats loose in a container would destroy their presortation. The distribution of collection mail is dissimilar to the distribution of all mail.

(b) Confirmed. Degen assumes something even more unreasonable. He assumes that the few pieces of loose flats handled individually at the allied labor operations are representative of the large pool of loose flats in container costs at these operations. As witness Stralberg testified (See TW-T-1, page 21), only a small percentage of direct piece handlings occur at platform and opening units in MODS facilities, 7 % for letter and 9 %

**Magazine Publishers of America Witness Rita Cohen
Responses to Interrogatories of USPS**

for flats, while a large percentage of loose pieces in containers tallies are found at these operations, 53 % for letters and 49 % for flats. Degen's method distributes about half of the loose mail in containers costs based on only a small and incidental part of total piece handling costs.

(c) & (d) It is my testimony that until the Postal Service collects more information on mixed mail tallies, the correct distribution is to collapse on both container contents and cost pools. My point on pages 25 and 28 is that there is no basis to assume either that loose mail in containers is similar to loose mail not in containers regardless of operation or that mixed container tallies in one cost pool necessarily relate to individual piece handlings in the same cost pool.

DECLARATION

I, Rita D. Cohen, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Rita D. Cohen

Dated: Jan 26, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


James R. Oregan

Washington, D.C.
January 26, 1998